

CONGRESSWOMAN

Carolyn McCarthy

Corporate Accountability - 107th Congress

In the wake of corporate scandals which began with Enron last year, corporate accounting problems have been exposed and important questions have been raised about employee pension protection, auditing systems and the actions of high-level executives. Congresswoman Carolyn McCarthy supports strong corporate accountability and pension reform legislation, as it is the only way begin to restore employee, investor and consumer confidence.

Earlier this year, the Republican response to the grave concerns presented by the Enron scandals was to introduce two watered-down bills: **the Corporate Accountability Act** and **the Pension Security Act**. In April, Congresswoman McCarthy voted to pass the much stronger Democratic alternatives to both bills, but unfortunately neither Democratic version passed. With no other legislative options, Congresswoman McCarthy consequently voted to pass the Republican versions of these bills, with the notion that they provided a foundation from which to start, and that improvements could be made when the Senate took up the measures.

In July, the Senate began work on the Democratic version of the Corporate Accountability Act. After contentious debate, Ms. McCarthy and her Democratic colleagues were successful in convincing House Republicans to pass the Senate version of the reform bill, and it was signed into law. In September, when the Senate takes up the Pension Security Act, Republicans have a choice: attempt to stand in the way of pension reform once again, or they can follow the lead of McCarthy and House Democrats by enacting tough reforms.

HOLDING CORPORATIONS ACCOUNTABLE

As stated above, in July Congresswoman McCarthy voted to pass the **Corporate Accountability Act**, which incorporated the stronger language from the Democratic alternative Congresswoman McCarthy voted for in April. The Act promotes economic growth and restoring confidence in American business, and was signed into law by President Bush on July 30.

√ **A STRONG ACCOUNTING OVERSIGHT AND AUDITOR INDEPENDENCE**

→ The Act ends self-policing within the accounting profession by creating an independent regulatory board with sweeping investigative and disciplinary powers over audit firms, subject to Securities Exchange Commission (SEC) review.

→ The Act establishes new restrictions on the non-auditing or consulting services that an accounting firm can provide to a public company audit client.

→ New rules prohibit conflicts of interest that could compromise securities analysts' independence.

✓ **SETTING CORPORATE RESPONSIBILITY STANDARDS**

→ The Act requires the chairman of the board, the CEO and the CFO of a publicly traded company to certify the financial statements or their companies and exposes these high-level executives to criminal punishment for willful violations of this provision.

→ The Act gives the SEC the authority to bar any director or officer who violates the law to serve as an officer or director of a publicly traded company.

→ More rapid disclosure of financial information to investors is required.

✓ **IMPOSES TOUGH CRIMINAL PENALTIES FOR CORPORATE WRONGDOING**

→ Creates a new felonies for defrauding shareholders of publicly traded companies and for individuals destroy or create evidence which obstructs an investigation.

→ Prohibits corporations from directly or indirectly providing personal loans to or for any directors or executive officers.

Corporate Accountability--An Eye on the Future, Congresswoman McCarthy supported this act which among other things, creates a new oversight board for auditors, prohibits accounting firms from providing certain consulting work for clients, imposes new requirements on corporate boards and executives and increases whistle blower protections,

→ Congresswoman McCarthy has advocated for protection of whistle blowers who disclose information or otherwise assist criminal investigators. This law provides such protection to these employees.

→ Recovery of losses of victims of securities fraud is enhanced: civil penalties and fines will go to compensate victims of such fraud, including employees of failed corporations that held securities through their pension accounts.

PENSION REFORM: SECURING OUR NEST EGGS

Now that effective corporate accountability law has been enacted, it is imperative strong pension reform follows suit. In September, the Senate will take up the **Pension Security Act**.

Congresswoman McCarthy is poised to join in the fight to ensure more meaningful pension protections, like those found in the pension reform bill Democrats tried to pass in April, become law. The bill Congresswoman McCarthy and the Democrats support would give individuals control over investment decisions about their pensions—permitting employees to use independent outside advisors and it would penalize corporations and CEOs that mislead employees about company stock.

Congresswoman McCarthy hopes that Republicans will follow the lead of Democrats and enact these tough reforms:

- √ Employees Permitted to Sell Company Stock After Three Years of Plan Participation
- √ Equal Representation of Employees and Employers is Required on Companies' Boards Overseeing Pension Plans
- √ A 30-Day Notification of Blackout Periods is Required
- √ Companies are Required to Offer Independent Investment Advice to Employees
- √ Plan Participants Must be Notified When High-Level Executives Sell Significant Chunks of Employer Stock
- √ Criminal Penalties for Violation of Workers' Pension Rights are Toughened
- √ Certain Funded Deferred Compensation Plans for Corporate Insiders would be Treated as Pension Plans, Closing a Major Loophole Allowing Company Executives to Protect Deferred Compensation Assets from Creditors.